

## **DEPARTMENT OF DEVELOPMENTAL SERVICES 2005-06 BUDGET ACT HIGHLIGHTS**

### ***Message from the Director***

The 2005-06 Budget Act includes \$3.7 billion (\$2.3 billion General Fund) for the Department of Developmental Services (Department) to provide services and supports to consumers with developmental disabilities in California. As shown in the Funding Summary Chart, the Department's overall budget has increased from the estimated 2004-05 expenditures by \$232 million, or 6.7 percent.

The 2005-06 implementation of new activities in the Department, such as the planned closure of Agnews Developmental Center, Medicare Part D Prescription Drug Benefit, Self-Directed Services, and Quality Management System Requirements, have an impact on all three program areas: the Regional Centers system, the Developmental Centers system, and Headquarters.

The Community Services budget increased by \$240.1 million to fund the Regional Center-associated costs in the above cross-program activities, and to reflect updated caseload estimates and increased utilization of services based on projected consumer needs, to help regional centers maintain compliance with federal Home and Community-Based Services Waiver requirements, and to restore the Supported Employment Program group size to three consumers from four.

The Developmental Centers budget reflects an overall decrease of \$10.9 million from the estimated 2004-05 expenditures when accounting for the Developmental Center-associated costs of the above cross-program activities and the projected decline of residents in the Developmental Centers system.

The Headquarters budget increased by \$3.1 million resulting from the added responsibility of implementation and oversight of the Quality Management System and Medicare Part D for the Developmental Centers and Regional Centers systems as noted above.

The 2005-06 Budget Act represents the Administration's commitment to ensure the delivery of quality integrated services to consumers with developmental disabilities. With hard work and continuing effort this will be an important investment in California's future.

**CLIFF ALLENBY**

**July 11, 2005**

**DEPARTMENT OF DEVELOPMENTAL SERVICES  
2005-06 BUDGET ACT**

**FUNDING SUMMARY**

*(Dollars in Thousands)*

	<b>2004-05 Estimated Expenditures</b>	<b>2005-06 Enacted Budget</b>	<b>Dollar Change</b>	<b>Percent Change</b>
<b>BUDGET SUMMARY:</b>				
COMMUNITY SERVICES	\$2,692,276	\$2,932,336	\$240,060	8.9%
DEVELOPMENTAL CENTERS	719,393	708,517	-10,876	-1.5%
HEADQUARTERS SUPPORT	35,324	38,426	3,102	8.8%
<b>TOTALS, ALL PROGRAMS</b>	<b>\$3,446,993</b>	<b>\$3,679,279</b>	<b>\$232,286</b>	<b>6.7%</b>
<b>FUND SOURCES:</b>				
General Fund	\$2,132,653	\$2,284,417	\$151,764	7.1%
Reimbursements: Totals All	1,256,631	1,333,438	76,807	6.1%
<i>Medicaid Waiver</i>	593,332	639,062	45,730	7.7%
<i>Medicaid Waiver Administration</i>	9,876	11,258	1,382	14.0%
<i>Medicaid Administration</i>	10,373	12,127	1,754	16.9%
<i>Targeted Case Management</i>	124,198	126,732	2,534	2.0%
<i>Medi-Cal</i>	5,447	5,630	183	3.4%
<i>Title XX Social Services Block Grant</i>	474,382	523,242	48,860	10.3%
<i>All Other</i>	39,023	15,387	-23,636	-60.6%
Federal Trust Fund	53,908	56,384	2,476	4.6%
Lottery Education Fund	2,204	2,204	0	0.0%
Program Development Fund	1,497	2,268	771	51.5%
Self-Directed Services Risk Pool Fund	-	299	299	---
Developmental Disabilities Svs. Acct.	100	269	169	169.0%
<b>AVERAGE CASELOAD:</b>				
Developmental Centers	3,202	3,016	-186	-5.8%
Regional Centers	197,355	205,155	7,800	4.0%
<b>AUTHORIZED POSITIONS:</b>				
Developmental Centers	8,195.1	7,876.1	-319.0	-3.9%
Headquarters	380.5	391.5	11.0	2.9%

## **DEPARTMENT OF DEVELOPMENTAL SERVICES 2005-06 BUDGET ACT**

### **PROGRAM HIGHLIGHTS**

#### **Cross-Program Highlights**

##### **Planned Closure of Agnews Developmental Center**

In January, the Administration proposed an increase of \$33.7 million (\$25.9 million General Fund) from the revised 2004-05 budget to begin closure of Agnews Developmental Center by July 2007. Of this increase, \$30.9 million funds consumer placement in the community with appropriate services and supports, and the development of community living options for current residents of Agnews Developmental Center using \$11.1 million reappropriated from 2004-05. In addition, \$3.5 million allows state employees to continue providing services to residents after transition into the community, and \$3.2 million funds a non-standard staffing plan that is unique to this facility during the closure process. An offsetting decrease of \$3.9 million adjusts for the staff reduction associated with the transfer of residents into the community.

The Department is required by the Budget Act of 2005 to provide the Legislature with a status update of the Agnews Closure Plan as part of the 2006-07 Governor's Budget and the May Revision update.

##### **Medicare Part D Prescription Drug Benefit**

Under the terms of the federal Medicare Modernization Act (MMA), on January 1, 2006, approximately one million Californians who are eligible for both Medicare and Medi-Cal will begin receiving prescription drug coverage from the new federal prescription drug benefit, Medicare Part D. These individuals, known as "dual eligibles," currently receive drug coverage through the Medi-Cal program. Approximately 40,000 of these people are either in regional or developmental center programs. The budget includes an increase of \$11.4 million General Fund (\$10.6 million in one-time funding) to implement the federal Medicare Part D requirements in the developmental services system. While the transition of drug coverage for dual eligibles is a federal responsibility, the Budget invests significant resources to ease this transition for California's dual eligible population. This increase includes:

- One-time increases of \$4.9 million General Fund to enable the regional centers to contract with: (a) enrollment brokers for assistance to consumers in enrollment and appeals and (b) physicians and clinical pharmacists for enhanced medication review and consultation, and \$4.5 million to purchase consumers' medications that initially may not be covered by Medicare.

- An increase of \$1 million General Fund (\$.5 million in one-time funding for information technology and consultant costs) and 9 positions (18 full year positions in 2006-07) in the developmental centers to provide required utilization review and quality assurance, maintain records, and coordinate billings, assuming their pharmacies will operate as long-term care pharmacies and contract with Prescription Drug Plans to provide drugs to consumers under Part D.
- An increase of \$1 million General Fund (\$.7 million in one-time funding for consultant services and software purchase) and 2 two-year limited term positions in Headquarters to assess the impact of the Medicare Part D Prescription Drug Benefits on health care and fiscal accounting/reporting systems, and to develop plans of implementation for the necessary changes.

The Department is required to report to the Legislature on the following:

- By August 31, 2005, in conjunction with the Department of Mental Health, the feasibility and advisability of modifying reimbursement systems to account separately for drugs provided to eligible developmental center residents and state hospital clients.
- By May 1, 2006, expenditure data for the costs of Medicare Part D-eligible drugs purchased by regional centers between January 1, 2006 and March 31, 2006, and projections for the rest of the calendar year.

### **Self-Directed Services (SDS)**

The 2005-06 budget also includes an increase of \$2.5 million for expansion of an innovative SDS program that gives consumers a finite budget and the personal choice and responsibility to purchase services and supports from a comprehensive menu of options. This increase includes a net savings of \$.3 million (\$2.2 million General Fund offset by \$1.9 million reimbursements) in regional center Purchase of Services, an increase of \$1.7 million (\$.9 million General Fund) in regional center Operations to fund the associated workload, and an increase of \$.5 million (\$.3 million General Fund) and 5 positions in Headquarters to implement and monitor the expanded program. In addition, the SDS Risk Pool Fund is established to meet the unanticipated needs of participants in the SDS program.

### **Quality Management System Requirements**

To develop a statewide quality management system consistent with the Quality Framework outlined by the federal Centers for Medicare and Medicaid Services, funding has been increased by \$2.1 million (\$1.6 million General Fund) to fund 5 two-year limited term positions in the developmental centers, 4 positions in Headquarters, and one-time consultant services.

## **Other Program Highlights**

### **Community Services Program**

To provide services and supports to persons with developmental disabilities in the community, the 2005-06 Budget Act includes \$2.9 billion (\$1.9 billion General Fund). This reflects an increase of \$240 million, or 8.9 percent, from 2004-05 estimated expenditures. Significant changes in 2005-06 in addition to those included in "Cross-Program Highlights" are as follows:

#### **Caseload Update and Increased Service Utilization**

As a result of caseload estimates and increased utilization of services based on projected consumer needs, the Budget includes a net increase of \$140.7 million (\$56.4 million General Fund) to maintain base services.

#### **Compliance with Home and Community-Based Services (HCBS) Waiver Requirements**

To fund additional case management and clinical staff in the regional centers, the Budget includes an increase of \$9.2 million (\$4 million General Fund). This investment is to help maintain compliance with federal requirements for the HCBS Waiver. In addition to the existing reporting requirements, the regional centers are to report to the Department by October 31, 2005 on the average service to consumer caseload ratio for all consumers enrolled in the HCBS Waiver.

#### **California Developmental Disabilities Information System (CADDIS) Functional Changes**

In order to add new functionality to CADDIS for Habilitation Services, Self-Directed Services, Vendor Audits and Family Cost Participation, a one-time increase of \$2 million General Fund is provided. Expenditure of these funds is contingent upon approval by the Director of Finance of a revised Special Project Report addressing these functional changes.

#### **Supported Employment Program Group Size Restoration**

To change the Supported Employment Program (SEP) minimum group size from four consumers to three, the Budget increases the program's funding by \$1.4 million (\$1.1 million General Fund). This reverses a cost containment measure in the Budget Act of 2002 that increased the minimum number of SEP consumers in a group from three consumers to four.

#### **Resources to Meet Federal Attendance Reporting Requirements**

To fund additional account clerks in the regional centers to enter vendor attendance data into CADDIS and to maintain data required to generate additional federal financial participation for contracted services previously paid 100 percent by the

General Fund, \$.6 million (\$.5 million General Fund) is provided. These positions will be phased in during 2005-06, with full-year costs of \$1.4 million (\$1.2 million General Fund) in 2006-07.

### **Developmental Centers Program**

To support the Developmental Centers system, the 2005-06 Budget Act includes \$708.5 million (\$379 million General Fund). This reflects a net decrease of \$10.9 million, or 1.5 percent, from 2004-05 estimated expenditures. The total number of authorized positions for the Developmental Centers Program is 7,876.1, a net decrease of 319 positions. The budget assumes a population of 3,016 residents, a decrease of 291 residents from 2004-05. Significant changes in 2005-06 in addition to those included in "Cross-Program Highlights" are as follows:

#### **Developmental Center Population Adjustment**

As a result of a population decline of 186 residents (from 3,202 residents in 2004-05 to 3,016 residents in 2005-06), the Budget includes a decrease of \$31.2 million (\$17.3 million General Fund) and 450 positions in the Developmental Centers.

#### **Workers' Compensation One-Time Settlement Funding**

To settle workers' compensation claims through the Compromise and Release process, which allows for settlement and one-time payment, the Budget includes an increase of \$4.9 million (\$2.8 million General Fund) in one-time funding.

#### **Janitorial Contracts**

To pay new benefit costs in 2005-06 as required by state law, the Budget includes increased funding of \$2.1 million (\$.7 million General Fund).

#### **Employer Retirement Contributions and Employee Compensation**

To fund employer retirement and employee compensation costs, the Budget also reflects a net increase of \$1.6 million (\$.9 million General Fund).

### **Headquarters**

The 2005-06 Budget Act includes \$38.4 million (\$26.1 million General Fund) for the Headquarters budget, an increase of \$3.1 million, or 8.8 percent, from 2004-05 estimated expenditures. The total number of Headquarters positions in 2005-06 is 391.5, an increase of 11 positions. Significant changes in 2005-06 in addition to those included in "Cross-Program Highlights" are as follows:

## **Employer Retirement Contributions and Employee Compensation**

The Headquarter's Budget has been increased by a net of \$.2 million (\$.1 million General Fund) for increased employer retirement contributions and employee compensation costs.

## **Unallocated Reductions**

The department's budget includes unallocated reductions that are yet to be scheduled. The specific reductions will be included in the Governor's 2006-07 proposed budget to be released in January of 2006.

**DEPARTMENT OF DEVELOPMENTAL SERVICES**  
**2005-06 BUDGET ACT**  
**PROGRAM DETAIL**  
*(Dollars in Thousands)*

	<b>2004-05 Estimated Expenditures</b>	<b>2005-06 Enacted Budget</b>	<b>Dollar Change</b>	<b>Percent Change</b>
<b>Community Services Program</b>				
Regional Centers	\$2,672,181	\$2,912,241	\$240,060	9.0%
<i>Operations</i>	<i>424,810</i>	<i>463,024</i>	<i>38,214</i>	<i>9.0%</i>
<i>Purchase of Services</i>	<i>2,247,371</i>	<i>2,449,217</i>	<i>201,846</i>	<i>9.0%</i>
Early Intervention Program	20,095	20,095	0	0.0%
Habilitation Services	0	0	0	---
<b>Totals, Community Services</b>	<b>\$2,692,276</b>	<b>\$2,932,336</b>	<b>\$240,060</b>	<b>8.9%</b>
General Fund	\$1,734,363	\$1,867,620	\$133,257	7.7%
General Fund Reappropriation <sup>1</sup>	-11,603	11,603	23,206	200.0%
PDF	1,200	2,000	800	66.7%
Developmental Disabilities Svs Acct.	300	69	-231	-77.0%
DDSA Reappropriation <sup>2</sup>	-200	200	400	200.0%
SDS Risk Pool Fund <sup>3</sup>	-	299	299	---
Federal Trust Fund	51,111	53,574	2,463	4.8%
Reimbursements	917,105	996,971	79,866	8.7%
<b>Developmental Centers Program</b>				
Personal Services	\$564,070	\$551,618	-\$12,452	-2.2%
Operating Expense & Equipment	155,323	156,899	1,576	1.0%
<b>Total, Developmental Centers</b>	<b>\$719,393</b>	<b>\$708,517</b>	<b>-\$10,876</b>	<b>-1.5%</b>
General Fund	\$386,384	\$379,057	-\$7,327	-1.9%
Federal Trust Fund	645	645	0	0.0%
Lottery Education Fund <sup>4</sup>	2,204	2,204	0	0.0%
Reimbursements	330,160	326,611	-3,549	-1.1%
<b>Headquarters Support</b>				
Personal Services	\$28,623	\$29,890	\$1,267	4.4%
Operating Expense & Equipment	6,701	8,536	1,835	27.4%
<b>Total, Headquarters Support</b>	<b>\$35,324</b>	<b>\$38,426</b>	<b>\$3,102</b>	<b>8.8%</b>
General Fund	\$23,509	\$26,137	\$2,628	11.2%
Federal Trust Fund	2,152	2,165	13	0.6%
Program Development Fund	297	268	-29	-9.8%
Reimbursements	9,366	9,856	490	5.2%
<b>Totals, All Programs</b>	<b>\$3,446,993</b>	<b>\$3,679,279</b>	<b>\$232,286</b>	<b>6.7%</b>
General Fund	\$2,144,256	\$2,272,814	\$128,558	6.0%
General Fund Reappropriation <sup>1</sup>	-11,603	11,603	23,206	200.0%
Federal Trust Fund	53,908	56,384	2,476	4.6%
Lottery Education Fund <sup>4</sup>	2,204	2,204	0	0.0%
Program Development Fund	1,497	2,268	771	51.5%
Developmental Disabilities Svs Acct.	300	69	-231	-77.0%
DDSA Reappropriation <sup>2</sup>	-200	200	400	200.0%
SDS Risk Pool Fund <sup>3</sup>	-	299	299	---
Reimbursements	1,256,631	1,333,438	76,807	6.1%

\1 \$11,115,000 for Community Living Options for Agnews Developmental Center residents, and \$488,000 for Cost Containment Consultant Services.

\2 Affordable Housing

\3 Special Fund (Non-Budget Act Item)

\4 Non-Governmental Cost Fund (Non-Budget Act Item)